

**WEST MICHIGAN REGIONAL
PLANNING COMMISSION**

**FINANCIAL STATEMENTS
AND INDEPENDENT AUDITORS' REPORT**

September 30, 2004

Auditing Procedures Report

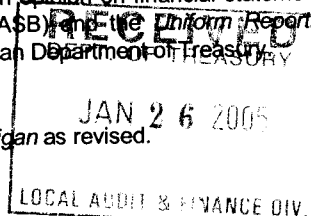
Issued under P.A. 2 of 1968, as amended.

Local Government Type <input type="checkbox"/> City <input type="checkbox"/> Township <input type="checkbox"/> Village <input checked="" type="checkbox"/> Other		Local Government Name West Michigan Regional Planning Commission	County Kent
Audit Date 9/30/04	Opinion Date 10/22/04	Date Accountant Report Submitted to State: 1/24/05	

We have audited the financial statements of this local unit of government and rendered an opinion on financial statements prepared in accordance with the Statements of the Governmental Accounting Standards Board (GASB) and the Uniform Reporting Format for Financial Statements for Counties and Local Units of Government in Michigan by the Michigan Department of Treasury.

We affirm that:

1. We have complied with the *Bulletin for the Audits of Local Units of Government in Michigan* as revised.
2. We are certified public accountants registered to practice in Michigan.



We further affirm the following. "Yes" responses have been disclosed in the financial statements, including the notes, or in the report of comments and recommendations

You must check the applicable box for each item below.

- ☐ Yes ☒ No 1. Certain component units/funds/agencies of the local unit are excluded from the financial statements.
- ☐ Yes ☒ No 2. There are accumulated deficits in one or more of this unit's unreserved fund balances/retained earnings (P.A. 275 of 1980).
- ☒ Yes ☐ No 3. There are instances of non-compliance with the Uniform Accounting and Budgeting Act (P.A. 2 of 1968, as amended).
- ☐ Yes ☒ No 4. The local unit has violated the conditions of either an order issued under the Municipal Finance Act or its requirements, or an order issued under the Emergency Municipal Loan Act.
- ☐ Yes ☒ No 5. The local unit holds deposits/investments which do not comply with statutory requirements. (P.A. 20 of 1943, as amended [MCL 129.91], or P.A. 55 of 1982, as amended [MCL 38.1132]).
- ☐ Yes ☒ No 6. The local unit has been delinquent in distributing tax revenues that were collected for another taxing unit.
- ☐ Yes ☒ No 7. The local unit has violated the Constitutional requirement (Article 9, Section 24) to fund current year earned pension benefits (normal costs) in the current year. If the plan is more than 100% funded and the overfunding credits are more than the normal cost requirement, no contributions are due (paid during the year).
- ☐ Yes ☒ No 8. The local unit uses credit cards and has not adopted an applicable policy as required by P.A. 266 of 1995 (MCL 129.241).
- ☐ Yes ☒ No 9. The local unit has not adopted an investment policy as required by P.A. 196 of 1997 (MCL 129.95).

We have enclosed the following:

	Enclosed	To Be Forwarded	Not Required
The letter of comments and recommendations.	✓		
Reports on individual federal financial assistance programs (program audits).			✓
Single Audit Reports (ASLGU).			✓

Certified Public Accountant (Firm Name) Hoffman, Steensma & Plamondon, P.L.C.			
Street Address 221 W. Webster Avenue, Suite 502	City Muskegon	State MI	ZIP 49445
Accountant Signature <i>Douglas A. Plamondon, CPA</i>		Date 1-24-05	

WEST MICHIGAN REGIONAL PLANNING COMMISSION

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INDEPENDENT AUDITORS' REPORT

**Board of Directors
West Michigan Regional Planning Commission
Grand Rapids, Michigan**

We have audited the accompanying financial statements of the governmental activities and the major fund of the West Michigan Regional Planning Commission (the "commission"), as of and for the year ended September 30, 2004 which collectively comprise the commission's basic financial statements, as listed in the table of contents. These financial statements are the responsibility of the management of West Michigan Regional Planning Commission. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the governmental activities and the major fund of West Michigan Regional Planning Commission, as of September 30, 2004, and the results of its operations for the year then ended in conformity with accounting principles generally accepted in the United States of America.

As discussed in note A to financial statements, West Michigan Regional Planning Commission adopted the provisions of Governmental Accounting Standards Board (GASB) Statement 34, *Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments*, as amended by GASB 37, *Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Government Omnibus* and GASB 38, *Certain Financial Statement Note Disclosures*, as of October 1, 2003.

The management's discussion and analysis and the required supplementary information on pages 4 - 8 and page 24 respectively, are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted primarily of inquiries of management regarding the methods of measurement and presentation of the supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was performed for the purpose of forming an opinion on the financial statements that collectively comprise the West Michigan Regional Planning Commission's basic financial statements. The accompanying supplemental financial information listed in the table of contents is presented for purposes of additional analysis and is not a required part of the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Hoffman, Steensma & Plamondon, P.L.C.

October 22, 2004

WEST MICHIGAN REGIONAL PLANNING COMMISSION

Management's Discussion and Analysis

Year Ended September 30, 2004

Our discussion and analysis of West Michigan Regional Planning Commission's financial performance provides an overview of the commission's financial activities for the year ended September 30, 2004. Please read it in conjunction with the commission's financial statements, which begin on page 9.

The changes in the enclosed audit document have been mandated by the Governmental Accounting Standards Boards (GASB) Statement 34. In the first year of implementation of this standard, GASB recognizes that prior-year information is not available in a similar format. Therefore, government-wide comparisons will not be available until next year.

Financial Highlights

- The commission's net assets remained nearly the same throughout the year, decreasing slightly from \$91,122 at the beginning of the year to \$90,950 at the end of the year. This is a decrease of \$172 (or 0.19%).
- During the year, the commission's total expenses were \$255,527. Of this amount:
 - \$12,372 (4.84%) was paid by direct charges to local municipalities.
 - \$198,710 (77.76%) was paid by grants from the state and federal governments and contributions from other local sources; and
 - The remaining portion was paid through membership dues and other locally generated revenues.
- The commission's governmental fund reported a fund balance of \$88,406, an increase of \$2,872 over the prior year.
- Total fund revenues were \$255,355, an increase of \$43,361 (or 20.45%), and total fund expenditures were \$252,483, an increase of \$45,502 (or 21.98%).

Using this Annual Report

This annual report consists of a series of financial statements. The first two statements are government-wide financial statements that provide both long-term and short-term information about the commission's overall financial status. The remaining statements are fund financial statements that focus on the governmental fund of the commission, reporting commission operations in more detail than the government-wide statements. The governmental fund statements tell how general commission services were financed in the short-term as well as what remains for future spending.

Reporting the Commission as a Whole

Our analysis of the commission as a whole begins on page 5. One of the most important questions asked about the commission's finances is, "Is the commission as a whole better off or worse off as a result of the year's activities?" The statement of net assets and the statement of activities report information about the commission as a whole and about its activities in a way that helps answer this question. These statements include all assets and liabilities using the accrual basis of accounting, which is similar to the accounting method used by most private-sector companies. All of the current year's revenues and expenses are taken into account regardless of when cash is received or paid.

WEST MICHIGAN REGIONAL PLANNING COMMISSION

Management's Discussion and Analysis - Continued

Year Ended September 30, 2004

Reporting the Commission as a Whole (continued)

The two statements mentioned above report the commission's net assets and changes in them. The reader can think of the commission's net assets - the difference between assets and liabilities - as one way to measure the commission's financial health or financial position. Over time, increases or decreases in the commission's net assets are one indicator of whether its financial health is improving or deteriorating. The reader will need to consider other nonfinancial factors, however, to assess the overall health of the commission.

Reporting the Commission's Governmental Fund

Our analysis of the commission's major fund begins on page 7. The fund financial statements begin on page 11 and provide detailed information about the governmental fund - not the commission as a whole.

The Commission as a Whole

The commission's combined net assets decreased from a year ago, from \$91,122 to \$90,950. Our analysis focuses on the net assets and changes in net assets of the commission's governmental activities.

Net assets as of September 30, 2004, follows:

	Governmental Activities
Current and other assets	\$ 145,978
Capital assets	7,041
Total assets	\$ 153,019
Long-term liabilities	\$ 4,497
Other liabilities	57,572
Total liabilities	\$ 62,069
Net assets	
Invested in capital assets	\$ 7,041
Unrestricted	83,909
Total net assets	\$ 90,950

WEST MICHIGAN REGIONAL PLANNING COMMISSION

Management's Discussion and Analysis - Continued

Year Ended September 30, 2004

The Commission as a Whole (continued)

Changes in net assets as of September 30, 2004, follows:

	<u>Governmental Activities</u>
Revenues	
Program revenues	
Charges for services	\$ 12,372
Operating grants and contributions	198,710
General revenues	
Membership dues	32,484
Investment earnings	332
Other	11,457
<u>Total revenues</u>	<u>255,355</u>
Expenses	
Governmental activities	
Transportation planning	101,258
Economic development	45,567
Hazard mitigation	15,779
Land use planning	19,335
General administration	73,588
<u>Total expenses</u>	<u>255,527</u>
Changes in net assets	(172)
<u>Net assets at beginning of year</u>	<u>91,122</u>
<u>Net assets at end of year</u>	<u>\$ 90,950</u>

Governmental Activities

Program revenues fall into the following categories:

Transportation planning - The Michigan Department of Transportation (MDOT) funds include our annual planning grant, the asset management program and Ottawa County's M-104 corridor study project. The latter of these were entirely pass-through funds, meaning that the commission did not retain any portion of the funding.

Economic development - This category includes our annual Economic Development Administration (EDA) which was reduced to \$51,628 from the usual \$52,000 for the 2004 calendar year. Because the EDA grant period is a calendar year, the amount shown in the FY 2004 financial statements contains revenue from both the 2003 and 2004 grants.

Hazard mitigation - This funding is provided by the Federal Emergency Management Agency (FEMA) and administered by the Michigan State Police Emergency Management Division for the purpose of completing hazard mitigation plans for several local governments.

WEST MICHIGAN REGIONAL PLANNING COMMISSION

Management's Discussion and Analysis - Continued

Year Ended September 30, 2004

The Commission as a Whole (continued)

Governmental Activities (continued)

Land use planning - This category includes local contributions for the Sheridan Area Recreation Plan and the Big Rapids Township Plan, as well as federal Coastal Zone Management funding for two phases of the Allegan/Ottawa County Shoreline Study.

Financial Analysis of the Commission's Fund

At the end of fiscal year 2004, the governmental fund reported a fund balance of \$88,406 which is \$2,872 more than last year.

Total governmental fund revenues increased by \$43,631 (or 20.45%) and expenditures increased by \$45,502 (or 21.98%) over the prior year. These increases are mostly due to increased "pass-through" funding which, because all funding is passed through to the benefitting parties, does not have an effect on the commission's operating budget except to the extent that staff time is incurred in the administration of such funds.

Governmental Fund Budgetary Highlights

The board of directors adopted the fiscal year 2004 budget in September of 2003. The budget was amended in June of 2004 to reflect several changes in expected revenues and expenditures, including the following:

- Funding from recreation was increased by \$5,000 due to funds being received in fiscal year 2004 that were originally anticipated in fiscal year 2003.
- The addition of the M-104 corridor study grant from MDOT of \$94,300.
- An increase in the amount of expected hazard mitigation funds of \$7,219 due to funds being received in fiscal year 2004 that were originally anticipated in fiscal year 2003.
- Anticipated contractual services expenditures increased by \$111,819 to reflect the consultant fees to be paid for the M-104 corridor study and the Michigan Transportation Asset Management.

Capital Asset and Debt Administration

Capital Assets

At September 30, 2004, the commission had \$7,041 invested in a variety of capital assets including office furniture and equipment, and computer equipment. Additional information on capital assets can be found in note C on page 21 of the notes to the financial statements.

Long-Term Compensated Absences

At September 30, 2004 the commission had \$4,497 in long-term compensated absences outstanding. Additional information on long-term compensated absences can be found in notes A7 and D on pages 19 and 21, respectively, of the notes to the financial statements.

WEST MICHIGAN REGIONAL PLANNING COMMISSION

Management's Discussion and Analysis - Continued

Year Ended September 30, 2004

Economic Factors and Next Year's Budget

While the commission's base revenue sources appear to be relatively safe, they are not sufficient to maintain the level of staff and services provided by the commission. To offset this shortfall, we strive to maintain a base of supplemental revenue sources, including the following:

- Through the Michigan Coastal Management Program, we have been developing studies in Allegan and Ottawa counties related to planning, growth and community input. The commission anticipates that a fourth year of funding will be approved at some point in the near future.
- The commission has just finished its second year of working with the Michigan Transportation Asset Management Council, which is closely associated with MDOT. The asset management program is funded through fiscal year 2005.

During fiscal year 2005, we will upgrade or replace a portion of the commission's computer equipment which will include replacement of the accounting printer and also the commission's primary printer.

Contacting the Commission's Financial Management

This financial report is designated to provide users of our financial statements with a general overview of the commission's finances and to demonstrate the commission's accountability for the money it receives. If you have any questions about this report or need additional financial information, contact Dave Bee, Director, West Michigan Regional Planning Commission, 820 Monroe NW, Suite 214, Grand Rapids, MI 49503, telephone number (616) 774-8400.

WEST MICHIGAN REGIONAL PLANNING COMMISSION

Statement of Net Assets

September 30, 2004

ASSETS

Cash and cash equivalents (note A5 and B)	\$	52,194
Investments (note A5 and B)		25,161
Due from other governmental units		68,623
		145,978

Capital assets, net of depreciation (note A6 and C)		7,041
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TOTAL ASSETS	\$	153,019
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LIABILITIES AND NET ASSETS

Liabilities

Accounts payable	\$	19,212
Accrued liabilities		3,193
Due to other governmental units		7,105
Deferred grant revenue		28,062
		57,572

Long-term liabilities (note A7 and D)

Due within one year		450
Compensated absences		
Due in more than one year		4,047
Compensated absences		
Total long-term liabilities		4,497
Total liabilities		62,069

Net assets

Invested in capital assets		7,041
Unrestricted		83,909
Total net assets		90,950

TOTAL LIABILITIES AND NET ASSETS	\$	153,019
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The notes to the financial statements are an integral part of this statement.

WEST MICHIGAN REGIONAL PLANNING COMMISSION

Statement of Activities

Year Ended September 30, 2004

Functions/Programs	Expenses	Program Revenues		Net (Expense)
		Charges for	Operating	Revenue and
		Services	Grants and	Changes in
			Contributions	Net Assets
				Governmental
				Activities
Governmental activities				
Transportation planning	\$ 101,258	\$ -	\$ 118,738	\$ 17,480
Economic development	45,567	-	42,641	(2,926)
Hazard mitigation	15,779	-	25,666	9,887
Land use planning	19,335	12,372	11,665	4,702
General administration	73,588	-	-	(73,588)
Total	\$ 255,527	\$ 12,372	\$ 198,710	(44,445)
General revenues				
Membership dues				32,484
Investment earnings				332
Other				11,457
Total general revenues				44,273
Change in net assets				(172)
Net assets at beginning of year				91,122
Net assets at end of year				\$ 90,950

The notes to the financial statements are an integral part of this statement.

WEST MICHIGAN REGIONAL PLANNING COMMISSION

Governmental Fund

Balance Sheet

September 30, 2004

(with comparative actual amounts for year ended September 30, 2003)

ASSETS	2004	2003
Cash and cash equivalents (note A5 and B)	\$ 52,194	\$ 53,771
Investments (note A5 and B)	25,161	25,161
Due from other governmental units	68,623	56,560
TOTAL ASSETS	\$ 145,978	\$ 135,492
LIABILITIES AND FUND BALANCE		
Liabilities		
Accounts payable	\$ 19,212	\$ 37,019
Accrued liabilities	3,193	4,092
Due to other governmental units	7,105	-
Deferred grant revenue	28,062	8,847
Total liabilities	57,572	49,958
Fund balance		
Unreserved		
Undesignated	88,406	85,534
TOTAL LIABILITIES AND FUND BALANCE	\$ 145,978	\$ 135,492

The notes to the financial statements are an integral part of this statement.

WEST MICHIGAN REGIONAL PLANNING COMMISSION

Reconciliation of Total Governmental Fund Balance to

Net Assets of Governmental Activities

September 30, 2004

Total governmental fund balance	\$	88,406
Amounts reported for governmental activities in the statement of net assets are different because:		
Capital assets used in governmental activities are not financial resources and therefore are not reported in the governmental fund.		
Governmental capital assets	\$	22,094
Accumulated depreciation		<u>(15,053)</u>
		7,041
Long-term liabilities, including compensated absences, are not due and payable in the current period and therefore are not reported in the governmental fund.		
		<u>(4,497)</u>
Net assets of governmental activities	\$	<u>90,950</u>

The notes to the financial statements are an integral part of this statement.

WEST MICHIGAN REGIONAL PLANNING COMMISSION

Governmental Fund

Statement of Revenues, Expenditures and Changes in Fund Balance

Year Ended September 30, 2004

(with comparative actual amounts for the year ended September 30, 2003)

	2004	2003
Revenues		
Federal grants	\$ 112,768	\$ 112,859
State grants	65,642	49,850
Local contributions	20,300	-
Membership dues	32,484	36,800
Charges for services	12,372	4,606
Other income	11,457	7,236
Interest income	332	643
Total revenues	255,355	211,994
Expenditures		
Current		
Salaries, wages and fringe benefits	131,741	125,387
Travel and conferences	8,540	8,321
Audit fees	4,449	4,250
Contractual services	77,045	42,223
Office costs	23,320	24,871
Professional development	2,818	1,145
Other	1,200	784
Capital outlay	3,370	-
Total expenditures	252,483	206,981
Excess of revenues over expenditures	2,872	5,013
Fund balance at beginning of year	85,534	80,521
Fund balance at end of year	\$ 88,406	\$ 85,534

The notes to the financial statements are an integral part of this statement.

WEST MICHIGAN REGIONAL PLANNING COMMISSION

Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balance of the Governmental Fund to the Statement of Activities Year Ended September 30, 2004

Net change in fund balance - governmental fund	\$	2,872
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Amounts reported for governmental activities in the statement
of activities are different because:

Governmental funds report capital outlays as expenditures.

However, in the statement of activities, the cost of those
assets is depreciated over their estimated useful lives.

Expenditures for capital assets	\$	3,370	
Current year depreciation		<u>(1,917)</u>	1,453

Some expenses in the statement of activities, such as
changes in compensated absences, do not require the
use of current financial resources and therefore are not
reported as expenditures in the governmental fund.

(4,497)

<u>Change in net assets of governmental activities</u>	\$	<u>(172)</u>
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The notes to the financial statements are an integral part of this statement.

WEST MICHIGAN REGIONAL PLANNING COMMISSION

Notes to the Financial Statements

September 30, 2004

Note A - Summary of Significant Accounting Policies

The accounting policies of the West Michigan Regional Planning Commission (the "commission") conform to accounting principles generally accepted in the United States of America (GAAP) as applicable to governmental units. GAAP includes all relevant Governmental Accounting Standards Board (GASB) pronouncements. In the government-wide financial statements, Financial Accounting Standards Board (FASB) pronouncements and Accounting Principles Board (APB) opinions issued on or before November 30, 1989, have been applied unless those pronouncements conflict with or contradict GASB pronouncements, in which case, the GASB prevails. The more significant accounting policies establishing GAAP and used by the commission are discussed below.

The commission adopted GASB 34, *Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments*, as amended by GASB 37, *Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments Omnibus* as of October 1, 2003. Certain of the significant changes in GASB 34 include the following:

- A management's discussion and analysis (MD&A) section providing an analysis of the commission's overall financial position and results of operations
- Government-wide financial statements prepared using full accrual accounting for all of the commission's activities including capital assets.
- A change in the fund financial statements to focus on major funds.

The commission also adopted GASB 38, *Certain Financial Statement Note Disclosures*, as of October 1, 2003. GASB 38 modifies note disclosures required by GAAP. The adoption of this change in accounting principles had no effect on the financial condition or results of operations of the commissions fund as of and for the year ended September 30, 2004, but did change some of the disclosures required for the notes to the financial statements.

1. Financial Reporting Entity

West Michigan Regional Planning Commission is a voluntary association of six counties and three cities within western Michigan, encompassing 169 local governmental units and a population of 765,000. The commission was organized to implement and coordinate various area-wide planning functions, to serve as a regional conduit for federal and state grants affecting local governments, to provide professional and technical expertise not readily available to local governments and to operate certain specialty programs affecting multiple governments spread out over a large geographical area. The operations of the commission are financed primarily by federal, state and local grants and membership contributions. The commission does not have the power to levy taxes and, accordingly, its level of operations is dependent upon the amount of voluntary membership contributions received that can be used for local matching shares of grant participation programs.

WEST MICHIGAN REGIONAL PLANNING COMMISSION

Notes to the Financial Statements - Continued

September 30, 2004

Note A - Summary of Significant Accounting Policies (continued)

1. Financial Reporting Entity (continued)

As required by GASB 14, the financial statements present the commission (the primary government) and its component units, entities for which the commission is considered to be financially accountable. Component units are included in the reporting entity when there are significant operational and financial relationships with the organization. Based upon the application of these criteria, there were no component units required to be included as part of the financial statements of the commission.

2. Basis of Accounting - Government-Wide Financial Statements

The statement of net assets and the statement of activities display information about the commission as a whole. They include all funds of the reporting entity. These statements distinguish between activities that are governmental and those that are considered business-type activities. Currently, all commission activity is considered governmental.

The government-wide statements are prepared using the economic resources measurement focus and the accrual basis of accounting. This approach differs from the manner in which the governmental fund financial statements are prepared. Therefore, governmental fund financial statements include a reconciliation with brief explanations to better identify the relationship between the government-wide statements and the statements for governmental funds.

The government-wide statement of activities presents a comparison between expenses, both direct and indirect, and program revenues for each governmental program. Direct expenses are those that are specifically associated with a service, program or department and are therefore clearly identifiable to a particular function. Program revenues include charges paid by the recipients of the goods or services offered by the programs and grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Revenues which are not classified as program revenues are presented as general revenues. The comparison of program revenues and expenses identifies the extent to which each program is self-financing or draws from the general revenues of the commission.

Net assets should be reported as restricted when constraints placed on net asset use are either externally imposed by creditors (such as through debt covenants), grantors, contributors or laws or regulations of other governments or imposed by law through constitutional provisions or enabling legislation. When both restricted and unrestricted resources are available, it is the commission's policy to use restricted resources first, then unrestricted resources as they are needed.

WEST MICHIGAN REGIONAL PLANNING COMMISSION

Notes to the Financial Statements - Continued

September 30, 2004

Note A - Summary of Significant Accounting Policies (continued)

3. Basis of Accounting - Fund Financial Statements

Fund financial statements of the reporting entity are organized into funds, each of which is considered to be separate accounting entities. Each fund is accounted for by providing a separate set of self-balancing accounts that constitute its assets, liabilities, fund equity, revenues and expenditures. Funds are organized into three major categories: governmental, proprietary and fiduciary. The commission has only one fund, the special revenue fund, which is a governmental fund. The focus of the governmental financial statements is on major funds rather than reporting funds by type. The commission's only fund is a major fund.

The commission reports the following major fund:

Special Revenue Fund

Special Revenue Fund - To control the expenditures of various federal, state and local monies distributed to the commission, to be expended according to various grant and professional service agreements.

The following is a description of the governmental category:

Governmental Fund

The governmental fund is accounted for using the modified accrual basis of accounting and the current financial resources measurement focus. Under this basis revenues are recognized in the accounting period in which they become susceptible to accrual (i.e., when they become both measurable and available). Expenditures are recognized in the accounting period in which the fund liability is incurred, if measurable.

Revenue Recognition

"Measurable" means the amount of the transaction can be determined and "available" means collectable within the current period or soon enough thereafter to be used to pay liabilities of the current period. The commission considers membership dues, interest revenue and charges for services as susceptible to accrual if the amount was due on or before fiscal year end and collection was within sixty days after year end. Reimbursements due for expenditure-driven grants are accrued as revenue at the time the expenditures are made, or when received in advance, deferred until expenditures are made. All other revenue is recognized as payments are received.

Expenditure Recognition

The measurement focus of governmental fund accounting is on decreases in net financial resources (expenditures) rather than expenses. Most expenditures are measurable and are recorded when the related fund liability is incurred. However, principal and interest on general long-term debt, which has not matured, are recognized when paid. Allocation of costs, such as depreciation and amortization, are not recognized in the governmental fund.

WEST MICHIGAN REGIONAL PLANNING COMMISSION

Notes to the Financial Statements - Continued

September 30, 2004

Note A - Summary of Significant Accounting Policies (continued)

4. Budgets and Budgetary Accounting

Budgets are adopted on a basis consistent with generally accepted accounting principles. Annual appropriated budgets are legally adopted for the special revenue fund. The commission follows these procedures in establishing the budgetary data reflected in the financial statements:

- Prior to September 30, the executive director submits a proposed operating budget for the fiscal year commencing on October 1. The operating budget includes proposed expenditures and the means of financing them.
- The budget is adopted by resolution before October 1.
- Budgeted amounts are presented as originally adopted, or as amended by the board before September 30, 2004. Individual amendments were not material in relation to the original appropriations which were amended.
- Formal budget integration is employed as a management control device during the year for the special revenue fund.
- Budgetary control is exercised at the total expenditure or "fund" level. Budgets are also adopted on a project by project basis as a management tool.
- Budgets as presented are prepared on the modified accrual basis of accounting.
- All budgetary appropriations lapse at the end of the year.

5. Deposits and Investments

Statutes authorize the commission to deposit and invest in the following:

- In bonds, securities and other obligations of the United States or agency or instrumentality of the United States.
- In certificates of deposit, savings accounts, deposit accounts or depository receipts of a bank which is a member of the Federal Deposit Insurance Corporation, a savings and loan association which is a member of the Federal Savings and Loan Insurance Corporation or a credit union which is insured by the National Credit Union Administration.
- In commercial paper rated at the time of purchase within the two highest classifications established by not less than two standard rating services and which matures no more than 270 days after the date of purchase.
- In United States government or federal agency obligation repurchase agreements.
- In banker's acceptances of United States banks.

WEST MICHIGAN REGIONAL PLANNING COMMISSION

Notes to the Financial Statements - Continued

September 30, 2004

Note A - Summary of Significant Accounting Policies (continued)

5. Deposits and Investments (continued)

- In obligations of this state or any of its political subdivisions that at the time of purchase are rated as investment grade by not less than one standard rating service.

- In mutual funds composed of investment vehicles which are legal for direct investment by local units of government in Michigan.

Investments with a maturity of greater than one year at the date of purchase are stated at fair value, and all other investments are stated at cost or amortized cost.

6. Capital Assets and Depreciation

Capital assets, which include office furniture and equipment are reported in the government-wide financial statements. Capital assets are defined by the commission as assets with an initial individual cost of more than \$1,000 and an estimated useful life in excess of two years. Such assets are recorded at historic cost or estimated historical cost of purchase or construction. Contributed assets are reported at estimated fair market value at the date of donation. Additions, improvements and other capital outlays that significantly extend the useful life of an asset are capitalized. Other costs incurred for repairs and maintenance are expensed as incurred. Depreciation is computed on the straight-line method for all capital assets over the estimated useful lives of 7 years for general office furniture and equipment and 5 years for computers and peripheral equipment.

7. Compensated Absences

Commission employees are granted vacation and sick leave in varying amounts based on length of service and employee group. Vacation time is fully vested. Sick leave pay does not vest with the employee and is payable only in the event of absences due to an illness. The commission follows the accounting and reporting principles outlined in GASB 16, with regards to employees vacation and sick leave.

The liability for these compensated absences is recorded as long-term debt in the government-wide statements. In the fund financial statements, a liability for these amounts is reported in the governmental fund only for employee terminations as of year end.

8. Comparative Data

Comparative data for the prior year has been presented in the accompanying fund financial statements in order to provide an understanding of changes in the commission's financial position and operations. However, comparative (i.e., presentation of prior years totals by fund type) data has not been presented in each of the statements since its inclusion would make the statements unduly complex and difficult to read.

WEST MICHIGAN REGIONAL PLANNING COMMISSION

Notes to the Financial Statements - Continued

September 30, 2004

Note B - Cash, Cash Equivalents and Investments

Deposits

At year end, the carrying amount of the commission's deposits was \$49,026 and the bank balance was \$58,329. All of the bank balance was covered by federal depository insurance.

The commission's deposits are categorized below according to level of credit risk:

- Category 1 represents the commission's insured or collateralized deposits with securities held by the commission or by its agent in the commission's name.
- Category 2 represents the commission's collateralized deposits with securities held by the pledging financial institution's trust department or agent in the commission's name.
- Category 3 represents the commission's uncollateralized deposits including any bank balances that are collateralized with securities held by the pledging financial institutions, or by its trust department or agent but not in the commission's name.

	Category			Bank Balance	Carrying Amount
	1	2	3		
Demand deposits	\$ 33,013	\$ -	\$ -	\$ 33,013	\$ 23,865
Time deposits	25,316	-	-	25,316	25,161
	\$ 58,329	\$ -	\$ -	\$ 58,329	\$ 49,026

Investments

Investments are categorized below to give an indication of the level of risk assumed by the entity at year end:

- Category 1 includes investments that are insured or registered, or for which the securities are held by the township or by its agent in the commission's name.
- Category 2 includes uninsured and unregistered investments, with securities held by the counterparty's department or agent in the commission's name.
- Category 3 includes uninsured and unregistered investments, with securities held by the counterparty, or by its trust department or agent but not in the commission's name.

	Carrying Amount
Investments not subject to categorization:	
<u>Money market funds</u>	<u>\$ 28,329</u>

WEST MICHIGAN REGIONAL PLANNING COMMISSION

Notes to the Financial Statements - Continued

September 30, 2004

Note B - Cash, Cash Equivalents and Investments (continued)

Total deposits and investments at September 30, 2004, were \$77,355 and are presented in the balance sheet as follows:

Cash and cash equivalents	\$	52,194
Investments		25,161
	\$	<u>77,355</u>

Note C - Capital Assets

Capital asset activity for the year ended September 30, 2004 was as follows:

	Balance October 1, 2003	Additions	Deletions	Balance September 30, 2004
Office furniture and equipment	\$ 69,670	\$ 3,370	\$ (50,946)	\$ 22,094
Less accumulated depreciation	64,082	1,917	(50,946)	15,053
Total capital assets net of depreciation	\$ 5,588	\$ 1,453	\$ -	\$ 7,041

Depreciation was charged to programs of the commission as follows:

Transportation planning	\$	760
Economic development		342
Hazard mitigation		118
Land use planning		145
General administration		552
Total depreciation expense	\$	<u>1,917</u>

Note D - Long-Term Debt

The following is a summary of long-term compensated absences transactions for the year ended September 30, 2004:

	Long-Term Compensated Absences
Balance at beginning of year	\$ -
Additions	4,497
Balance at end of year	\$ <u>4,497</u>

WEST MICHIGAN REGIONAL PLANNING COMMISSION

Notes to the Financial Statements - Continued

September 30, 2004

Note E - Pension Plan

The commission has a Simplified Employee Pension Plan that is based on Section 408(k) of the Internal Revenue Code that provides for the establishment of Individual Retirement Accounts for each full-time employee. Contributions to the accounts were based upon 4% of each employee's gross wages. Contributions were \$4,094 for the year ended September 30, 2004.

Note F - Operating Lease Commitment

The commission conducts its operations in an office under a lease that expires in October 2006. Rent expense charged to operations under this lease amounted to \$11,622 for the year ended September 30, 2004.

Minimum future lease commitments are as follows:

Years Ending September 30,		
2005	\$	9,847
2006		9,868
2007		822
	\$	20,537

Note G - Risk Management

The commission is exposed to various risks of loss related to torts; theft of, damage to and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The commission carries commercial insurance for general liability, workers' compensation and employee health and accident insurances. Settled claims resulting from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

Note H - Excess of Expenditures over Appropriations in Budgetary Funds

P.A. 621 of 1978, section 18(1) as amended, provides that a local unit shall not incur expenditures in excess of the amount appropriated.

During the year ended September 30, 2004, the commission incurred expenditures in certain budgetary funds which were in excess of the amounts appropriated as follows:

Fund	Amended Budget	Amount of Expenditure	Budget Variance
Special revenue			
Capital outlay	\$ 3,000	\$ 3,370	\$ (370)

The expenditures over appropriations have been paid by the reduction of current fund balance.

REQUIRED SUPPLEMENTARY INFORMATION

WEST MICHIGAN REGIONAL PLANNING COMMISSION

Special Revenue Fund

Schedule of Revenues, Expenditures and Changes in Fund Balance -

Budget and Actual

Year Ended September 30, 2004

	Original Budget	Amended Budget	Actual	Variance with Amended Budget Positive (Negative)
Revenues				
Federal grants	\$ 97,900	\$ 164,747	\$ 112,768	\$ (51,979)
State grants	119,467	134,467	65,642	(68,825)
Local contributions	-	19,300	20,300	1,000
Membership dues	35,458	35,458	32,484	(2,974)
Charges for services	12,700	14,714	12,372	(2,342)
Other income	-	-	11,457	11,457
Interest income	1,000	1,000	332	(668)
Total revenues	266,525	369,686	255,355	(114,331)
Expenditures				
Current				
Salaries, wages and fringe benefits	138,000	138,000	131,741	6,259
Travel and conferences	10,000	10,000	8,540	1,460
Audit fees	4,700	4,450	4,449	1
Contractual services	57,978	169,297	77,045	92,252
Office costs	32,000	32,000	23,320	8,680
Professional development	3,500	3,500	2,818	682
Other	17,347	9,439	1,200	8,239
Capital outlay	3,000	3,000	3,370	(370)
Total expenditures	266,525	369,686	252,483	117,203
Excess of revenues over expenditures	-	-	2,872	2,872
Fund balance at beginning of year	85,534	85,534	85,534	-
Fund balance at end of year	\$ 85,534	\$ 85,534	\$ 88,406	\$ 2,872

SUPPLEMENTAL FINANCIAL INFORMATION

WEST MICHIGAN REGIONAL PLANNING COMMISSION

Statement of Revenues and Expenditures

Michigan Department of Transportation Grants

Year Ended September 30, 2004

(with comparative actual amounts for year ended September 30, 2003)

	2004	2003
Revenues		
Federal grants	\$ 34,096	\$ 26,404
State grants	65,967	49,850
Local match	19,319	533
Total revenues	119,382	76,787
Expenditures		
Current		
Salaries, wages and fringe benefits	34,645	30,263
Travel and conferences	3,422	3,269
Audit fees	1,170	1,036
Contractual services	71,802	36,082
Office costs	5,820	5,664
Professional development	1,331	264
Other	316	209
Capital outlay	876	-
Total expenditures	119,382	76,787
Excess of revenues over expenditures	\$ -	\$ -

WEST MICHIGAN REGIONAL PLANNING COMMISSION

Statement of Revenues and Expenditures

Economic Development Grants

Year Ended September 30, 2004

(with comparative actual amounts for year ended September 30, 2003)

	2004		2003	
	Planning Assistance Programs		Totals	
	06-83- 04769	06-83- 04769		
Revenues				
Federal grants	\$ 8,847	\$ 33,794	\$ 42,641	\$ 50,418
Local match	21,455	11,265	32,720	18,797
Total revenues	30,302	45,059	75,361	69,215
Expenditures				
Current				
Salaries, wages and fringe benefits	22,934	32,320	55,254	49,568
Travel and conferences	821	2,511	3,332	3,522
Audit fees	775	1,092	1,867	1,675
Contractual services	828	1,890	2,718	3,695
Office costs	3,813	5,614	9,427	10,102
Professional development	351	495	846	353
Other	208	294	502	300
Capital outlay	572	843	1,415	-
Total expenditures	30,302	45,059	75,361	69,215
Excess of revenues over expenditures	\$ -	\$ -	\$ -	\$ -

**WEST MICHIGAN REGIONAL
PLANNING COMMISSION**

**REPORT ON INTERNAL CONTROL
AND
MANAGEMENT ADVISORY COMMENTS**

September 30, 2004

WEST MICHIGAN REGIONAL PLANNING COMMISSION

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Board of Directors
West Michigan Regional Planning Commission
Grand Rapids, Michigan

In planning and performing our audit of the financial statements of West Michigan Regional Planning Commission for the year ended September 30, 2004, we considered its internal control in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on internal control. However, we noted certain matters involving the internal control and its operation that we consider to be reportable conditions under standards established by the American Institute of Certified Public Accountants. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control that, in our judgment, could adversely affect the organization's ability to record, process, summarize and report financial data consistent with the assertions of management in the financial statements.

A material weakness is a reportable condition in which the design or operation of one or more of the internal control elements does not reduce to a relatively low level the risk that errors or irregularities in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions.

Our consideration of the internal control structure would not necessarily disclose all matters in the internal control structure that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses as defined above. However, none of the reportable conditions described on page 5 are believed to be a material weakness.

This report is intended solely for the information and use of the West Michigan Regional Planning Commission's board of directors, management and others within the organization. However, this report is a matter of public record, and its distribution is not limited.

Hoffman, Steensma & Plamondon, P.L.C.

October 22, 2004

REPORTABLE CONDITIONS

WEST MICHIGAN REGIONAL PLANNING COMMISSION

Reportable Conditions

September 30, 2004

REPORTABLE CONDITIONS

Vendor Invoices

During our examination of internal control procedures, we noted that vendor invoices received in the mail are opened by the employee that places the order, as well as performing substantially all of the cash disbursements duties. We also noted that the invoices are not signed or initialed for approval by an appropriate member of management or the governing board prior to payment. We recommend that the mail, including vendor invoices, be opened and reviewed by the Director. We further recommend that the aforementioned review be evidenced by signature or initialing prior to payment.

Monthly Bank Statements and Bank Reconciliations

During our examination of internal control procedures, we noted that the monthly bank statement is opened by an employee that also performs substantially all of the cash receipts and disbursements duties. We also noted that the monthly bank reconciliation is not reviewed or approved. We recommend that the Director receive the monthly bank statement unopened and review the statement and all of the canceled checks. We further recommend that the Director review and approve the monthly bank reconciliation and that the aforementioned review be evidenced by signature or initialing.

Cash Receipts

During our examination of internal control procedures, we noted that cash receipt checks received in the mail are opened by an employee that is not independent of the accounts receivable processing and bank deposit functions. We also noted that undeposited checks filed in the organization's office are not restrictively endorsed when received and are not entered into the accounting system until deposited in the bank. We recommend that the daily mail, including check payments, be opened by the Director and that he review and log in all checks received. We further recommend that all cash receipt checks be restrictively endorsed and entered into the accounting system when received.